



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2024_2 EXAMINATION

Course Code: BFN 303

Credit Unit: 3

Course Title: Financial Management

Time Allowed: 2 ½ HOURS

Instructions:

- 1. Attempt Question 1 and any other three (3) Questions**
 - 2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.**
 - 3. Present all your points in a coherent and orderly manner.**
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QUESTION ONE

a. Ojo wishes to invest a sum of ₦2,000,000 in a project. The following are the estimate net cash inflows for 4 years.

Year	Cashflow
1	800,000
2	600,000
3	550,000
4	500,000

The acceptable interest rate is 15%. You are required to compute the internal rate of return for the project.

(10 marks)

b. Discuss the two (2) problems inhibiting the usage of net present value as a method of project evaluation.

(6 marks)

c. Explain the following capital budgeting concepts:

- i. Net present value
- ii. Profitability index
- iii. Internal rate of return

(9 marks)

(Total = 25 marks)

QUESTION TWO

a. Mention at least five (5) factors that should be considered before granting bank loans.

(5 marks)

b. Musa secured a bank overdraft of ₦5m with an interest rate of 15%. The period of the loan is 60days. What is the cost of the overdraft facility?

c. What do you understand by the concept “Debt factoring”?

(Total 15 marks)

QUESTION THREE

- a. Define capital structure (5 marks)
 - b. Highlight and discuss at least five (5) factors affecting the capital structure of organization (10 marks)
- (Total 15 marks)**

QUESTION FOUR

- a. Explain the Nigerian financial system (6 marks)
 - b. Mention at least five (5) distinctions between the central bank and the commercial bank (5 marks)
 - c. Any person desiring to undertake banking business in Nigeria shall apply in writing to the Governor for the grant of a licence. State four (4) of these documents that should accompany the application. (4 marks)
- (Total 15 marks)**

QUESTION FIVE

- a. Distinguish between vertical integration and horizontal integration under business combination. (5 marks)
 - b. Explain the following terms as it relates to merger and acquisition
 - i. Management buyout
 - ii. Friendly takeover
 - iii. Takeover premium
 - iv. Divesture
 - v. Consolidation
- (10 marks)**
- (Total 15 marks)**
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